

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF CALIFORNIA

JOE FLORES, an individual; and
CONNIE FLORES, an individual,

Plaintiffs,

v.

EMERICH & FIKE, a professional corporation, et al.

Defendants.

1:05-CV-0291 OWW DLB

ORDER RE PLAINTIFFS' MOTION
FOR RECONSIDERATION (DOC.
110) AND DEFENDANTS' MOTION
TO STRIKE AND TO DISMISS
(DOC. 118).

I. INTRODUCTION

This is the third case filed by Joe and Connie Flores ("Plaintiffs") concerning a series of packing and marketing agreements entered into between Plaintiffs and DDJ, Inc., DDJ LLC, and related entities and individuals. DDJ, Inc., and DDJ LLC filed for Chapter 7 Bankruptcy Protection on January 3, 2005. Shortly thereafter, on March 1, 2005, Plaintiffs filed the instant complaint (*Flores III*), naming as defendants a number of individuals involved with DDJ and affiliated corporate entities (the "DDJ Defendants"). The *Flores III* complaint also names as defendants the law firm of Emerich & Fike and several individual attorneys at that firm (collectively, the "Fike Defendants") who represent many of the DDJ Defendants.

The Fike Defendants recently moved to dismiss the federal claims against them for failure to state a claim and to strike all of the state law claims against them pursuant to the

1 California anti-SLAPP statute. A memorandum decision dated
2 February 21, 2006 granted the Fike Defendants' motions in their
3 entirety. (Doc. 108.) Plaintiffs were expressly given leave to
4 amend their complaint only with respect to the second (malicious
5 prosecution) and eighth (federal civil RICO) causes of action.
6 (Id.) On March 13, 2006, Plaintiffs filed a 143-page amended
7 complaint, re-alleging all of the original federal and state law
8 claims. (Doc. 113.)¹

9 Before the court for decision are two motions. First,
10 Plaintiffs request reconsideration of one aspect of the February
11 21, 2006 memorandum decision -- the order striking the "malicious
12 use of process" claim. Second, the Fike Defendants move again to
13 strike all of the state law claims re-alleged in the amended
14 complaint on the ground that it is improper to permit amendment
15 after claims have been stricken pursuant to the anti-SLAPP
16 statute. At the same time, in an abundance of caution, the Fike
17 Defendants move again to dismiss the eighth cause of action (the
18 federal civil RICO claim), as it is not clear from the face of
19 the amended complaint whether Plaintiffs' have amended this cause
20 of action. Plaintiffs, in their supplemental response, concede
21 that they did not amend the civil RICO claim as to the Fike
22 Defendants. (Doc. 125.)

23

24 **II. PROCEDURAL HISTORY**

25

26 ¹ Although Plaintiffs are pro se, flagrant disregard of a
27 court's order and overburdening of judicial resources by
28 unjustified prolixity and multiplication of the proceedings
requires an appropriate response.

1 Plaintiffs filed their initial complaint against DDJ, Inc.,
2 DDJ LLC, and others in 1999, asserting claims under the
3 Perishable Agricultural Commodities Act ("PACA"), along with
4 state law contract and tort claims. *See Flores et al v. DDJ,*
5 *Inc., et al.,* 1:99-cv-5878 AWI DLB ("Flores I"). In 2003, a jury
6 found for the Flores' on all claims against DDJ Inc. and DDJ LLC
7 ("the Judgment Debtors").

8 On October 15, 2004, the Flores' filed a second lawsuit,
9 alleging that individual officers of the Judgment Debtors
10 fraudulently transferred assets from the Judgment Debtors into
11 their own names. *See In Re Joe Flores, et al. v. Dennis*
12 *Hagopian, et al.,* 1:04-cv-6405 OWW DLB ("Flores II").

13 On January 3, 2005, DDJ, Inc. and DDJ, LLC filed for Chapter
14 7 bankruptcy protection. Further proceedings in *Flores I* were
15 stayed pursuant to the automatic stay provision of the Bankruptcy
16 Code. *Flores I*, Doc. 408 at 2. Similarly, *Flores II* has been
17 stayed pending notice of whether the bankruptcy trustees will
18 authorize the case to proceed and whether the stay should be
19 lifted for that case. (*Flores II*, Doc. 19 at 3.)

20 Shortly after the bankruptcy filing, the Flores' filed the
21 141-page complaint in this case ("Flores III"). The third
22 amended complaint alleges various forms of alter ego liability,
23 fraudulent transfers, and the existence of a racketeering
24 enterprise. (Doc. 1 ("Compl."), filed Mar. 1, 2005.) *Flores III*
25 names as defendants many of the individual and corporate
26 defendants named in *Flores I* and *Flores II*, although the Judgment
27 Debtors (DDJ Inc. and DDJ LLC) are not named. The new complaint
28 names as defendants: Emerich & Fike, a law firm that represented

1 DDJ Inc. and DDJ LLC in *Flores I*, and a number of individual
2 lawyers who practice at Fike (the "Fike Defendants"). Plaintiffs
3 request damages, injunctive relief, and attorney's fees.

4 On May 10, 2005, counsel for DDJ Inc. and DDJ LLC filed a
5 "notice of filing bankruptcy" in this case, asserting that these
6 proceedings also are subject to the automatic stay because the
7 pending claims concern property belonging to the debtors' estate.
8 The district court determined that the automatic stay applied to
9 some of the defendants, but requested further briefing on the
10 applicability of the stay to the remaining defendants. (Doc.
11 72.)

12 The Chapter 7 Bankruptcy Trustee then submitted a report
13 indicating that the Trustee does not intend to pursue any of the
14 claims against the Fike Defendants and consented to an order
15 vacating the stay. The district court vacated the stay and set
16 the Fike Defendants' previously-filed motions to dismiss and to
17 strike for hearing. The Fike Defendants' motions were granted
18 with leave to amend on February 21, 2006. On March 10, 2006,
19 Plaintiffs filed a "motion to alter or amend" the February 21,
20 2006 order with respect to their "malicious use of process
21 claim." The Fike Defendants opposed. (Doc. 116.) Plaintiffs
22 replied. (Doc. 121.)

23 On March 13, 2006, Plaintiffs filed an amended complaint
24 re-alleging all of the state and federal law claims contained in
25 the original complaint. On March 30, 2006, the Fike Defendants
26 moved again to strike all of the state law claims in this case
27 and to dismiss the federal RICO claim. (Doc. 118.) The hearing
28 on Defendants' motion to strike and Plaintiffs' motion to

1 amend/alter was initially set for May 15, 2006. As of May 1,
2 2006, the day on which Plaintiffs' opposition to the renewed
3 motion to strike was initially due, Plaintiffs had filed no such
4 opposition. During the scheduled May 15, 2006 hearing, oral
5 argument on both motions was continued to June 26, 2006. On June
6 16, Plaintiffs filed a supplemental opposition.² (Doc. 125.)
7 June 23 was set as the deadline for a reply from the Fike
8 Defendants. (See Doc. 123.)

9 **III. FACTUAL BACKGROUND**

10 Joe and Connie Flores are apple growers based in Visalia,
11 California. In September 1995, the Flores' entered into a
12 packing and marketing agreement with Fruit Marketing, Inc. (FMI),
13 now known as DDJ Inc. During this relationship, FMI provided the
14 Flores' crop financing in exchange for a security interest in the
15 Flores' apple crops. The terms of the loan are set forth in a
16 promissory note signed by Joe Flores.

17 In or around early 1998, the Flores began to suspect that
18 FMI was using improper accounting practices to calculate the
19 amount due to the Flores' under the packing and marketing
20 contract. In April 1998, the Flores demanded access to all of
21 FMI's documents related to the handling and selling of the
22 Flores' 1997 and 1998 apple crops. Throughout the remainder of
23 1998, the parties disputed the extent to which the Flores' were

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25 ² At the May 15, 2006 hearing, Plaintiffs requested that
26 the arguments contained within their motion to alter/amend and
27 their reply thereto be considered as opposition arguments to the
28 renewed motion to strike. To the extent that these arguments
address issues raised by Defendants' motion to strike and/or to
dismiss, they have been considered.

1 entitled access to these documents and whether the Flores needed
2 to pay \$0.53 per page for copies of the documents.

3 At some point in mid-1998, the Flores entered into a packing
4 and marketing agreement with a different fruit packer, Hemphill &
5 Wilson enterprises ("H&W"). On October 16, 1998, the Fike
6 Defendants, on behalf of their client FMI, sent a letter to H&W,
7 informing H&W that FMI had a secured interest in the proceeds
8 from the Flores' 1998 apple crop. On October 26, a
9 representative from H&W informed the Flores that H&W would not
10 perform the contract under such circumstances. On October 27,
11 the Fike Defendants sent a letter to the Flores' formally
12 demanding payment of the amount due under the FMI note.
13 Throughout this entire period, the Flores' were still engaged in
14 a dispute with FMI, which was represented by the Fike Defendants,
15 over how much the Flores had to pay to obtain copies of FMI's
16 documents.

17 On April 27, 1999, an attorney filed a complaint on behalf
18 of the Flores, naming DDJ and related entities and individuals as
19 defendants. *Flores, et al., v. DDJ Inc., et al.*, 1:99-cv-5878.
20 Disputes over access to documents from FMI's files continued
21 throughout 1999 and 2000. Eventually, the Flores' received a
22 large number of documents from FMI. However, the Flores' now
23 assert that these documents had been "sanitized," by one of the
24 DDJ Defendants, Dennis Hagopian, who was seen "shredding
25 documents from sales jackets for many days." (See J. Flores
26 Decl. at ¶58.) The evidence of document destruction was known to
27 the Flores' during the Flores I trial.

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1 On July 31, 1999, DDJ sold most of its property to Norman
2 Trainer and his partner Steven Taft ("Trainer and Taft"). Among
3 the assets transferred to Trainer and Taft was the Flores'
4 promissory note. As part of the transaction, DDJ and Trainer and
5 Taft entered into an agreement whereby DDJ agreed to defend
6 against the Flores' lawsuit and pursue Trainer and Taft's
7 counterclaim against the Flores.

8 The Fike Defendants filed a cross-complaint against the
9 Flores on behalf of DDJ, alleging breach of contract and seeking
10 payment on the promissory note. The Flores later challenged
11 DDJ's standing to bring the counterclaim on behalf of Trainer and
12 Taft. Judge Ishii allowed the claim to go forward.

13 A jury trial commenced in July 2003. On July 25, a jury
14 returned a special verdict, finding for plaintiffs on all causes
15 of action alleged against DDJ and finding for the Flores' on the
16 counterclaims. The jury determined that the Flores' were
17 entitled to damages.

18 On October 15, 2004, the Flores' filed a second lawsuit,
19 alleging that individual officers of the Judgment Debtors
20 fraudulently transferred assets from the Judgment Debtors into
21 their own names. *See In Re Joe Flores, et al. v. Dennis*
22 *Hagopian, et al.*, 1:04-cv-6405 ("Flores II").

23 On January 3, 2005, DDJ, Inc. and DDJ, LLC filed for Chapter
24 7 bankruptcy protection.

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IV. ALLEGATIONS IN FLORES III

Plaintiffs' first amended complaint, which is 143 pages long, presents the following eleven "causes of action."³

1. Alter ego liability.
 2. Malicious prosecution.
 3. Malicious use of process, spoliation of evidence, and fraudulent concealment of evidence.
 4. Violation of the Uniform Fraudulent Transfer Act [Civil Code § 3439 et seq.].
 5. Violation of 7 U.S.C. §§ 499(b)(1), (2) & (4); PACA §§ 2(2) &(5); 21 U.S.C. §§ 331(a), (b), (c) & (k).
 6. Fraud, Deceit, Intentional and Negligent Fraud, and Constructive Fraud and Breach of Fiduciary Duty.
 7. Conversion.
 8. Civil Racketeering in violation of 18 U.S.C. § 1961.
 9. Negligent interference with or procurement of a breach of contract.
 10. Conspiracy to defraud and commit various other offenses against Plaintiff's business interests.
 11. Invasion of privacy.

Most of these claims in which the Fike Defendants have been named have been stricken or dismissed. There is no need readdress those claims which have been previously found legally insufficient.

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³ Many of these causes of action are subdivided into numerous separate "claims."

V. STANDARDS OF REVIEW

A. Motion to Strike.

The Fike Defendants move to strike the re-alleged malicious prosecution claim under California's "Anti-SLAPP" statute, California Code of Civil Procedure Section 425.16, which provides in relevant part:

A cause of action against a person arising from any act of that person in furtherance of the person's right of petition or free speech under the United States or California Constitution in connection with a public issue shall be subject to a special motion to strike, unless the court determines that the plaintiff has established that there is a probability that the plaintiff will prevail on the claim.

* * *

As used in this section, "act in furtherance of a person's right of petition or free speech under the United States or California Constitution in connection with a public issue" includes:

(1) any written or oral statement or writing made before a legislative, executive, or judicial proceeding, or any other official proceeding authorized by law;

(2) any written or oral statement or writing made in connection with an issue under consideration or review by a legislative, executive, or judicial body, or any other official proceeding authorized by law;

(3) any written or oral statement or writing made in a place open to the public or a public forum in connection with an issue of public interest;

(4) or any other conduct in furtherance of the exercise of the constitutional right of petition or the constitutional right of free speech in connection with a public issue or an issue of public interest.

Cal. Code Civ. Pro. § 425.16(b)(1) & (e).

A court considering a motion to strike under the anti-SLAPP statute must engage in a two-part inquiry. First, a defendant

1 must make an initial *prima facie* showing that the plaintiff's
2 suit "aris[es] from" activity protected by the Anti-SLAPP
3 statute. *Brill Media Co. v. TCW Group, Inc.*, 132 Cal. App. 4th
4 324, 329 (2005); Cal. Code Civ. Pro. § 425.16(b)(1). In
5 performing this analysis, the California Supreme Court has
6 stressed, "the critical point is whether the plaintiff's cause of
7 action itself was based on an act in furtherance of the
8 defendant's right of petition or free speech." *City of Cotati v.*
9 *Cashman*, 29 Cal. 4th 69, 78 (2002) (emphasis in original).

10 If the defendant is able to make this threshold showing, the
11 burden shifts to the plaintiff to demonstrate a probability of
12 prevailing on the challenged claims. In practice, a plaintiff
13 must show that the claim is "both legally sufficient and
14 supported by a sufficient *prima facie* showing of facts to sustain
15 a favorable judgment if the evidence submitted by the plaintiff
16 is credited." *Jarrow Formulas, Inc. v. LaMarche*, 31 Cal. 4th
17 728, 744 (2003). Claims for which Plaintiff is able to satisfy
18 this burden are "not subject to being stricken as a SLAPP." *Id.*

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20 **B. Motion to Dismiss.**

21 The Fike Defendants again move to dismiss the eighth cause
22 of action (civil RICO). Federal Rule of Civil Procedure 12(b)(6)
23 provides that a motion to dismiss may be made if the plaintiff
24 fails "to state a claim upon which relief can be granted."
25 However, motions to dismiss under Rule 12(b)(6) are disfavored
26 and granted only where the claim is legally insufficient. The
27 question before the court is not whether the plaintiff will
28 ultimately prevail; rather, it is whether the plaintiff could

1 prove any set of facts in support of his claim that would entitle
2 him to relief. See *Hishon v. King & Spalding*, 467 U.S. 69, 73
3 (1984). "A complaint should not be dismissed unless it appears
4 beyond doubt that plaintiff can prove no set of facts in support
5 of his claim which would entitle him to relief." *Van Buskirk v.*
6 *CNN, Inc.*, 284 F.3d 977, 980 (9th Cir. 2002) (citations omitted).

7 In deciding whether to grant a motion to dismiss, the court
8 "accept[s] all factual allegations of the complaint as true and
9 draw[s] all reasonable inferences" in the light most favorable to
10 the nonmoving party. *TwoRivers v. Lewis*, 174 F.3d 987, 991 (9th
11 Cir. 1999); see also *Rodriguez v. Panayiotou*, 314 F.3d 979, 983
12 (9th Cir. 2002). A court is not "required to accept as true
13 allegations that are merely conclusory, unwarranted deductions of
14 fact, or unreasonable inferences." *Sprewell v. Golden State*
15 *Warriors*, 266 F.3d 979, 988 (9th Cir. 2001).

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18 **VI. DISCUSSION**

19 **A. Motion to Dismiss the Eighth Cause of action for Civil**
20 **Racketeering in violation of 18 U.S.C. § 1961.**

21 In an abundance of caution, the Fike Defendants again move
22 separately to dismiss the civil RICO claims against them, as it
23 is not clear from the face of the amended pleading whether
24 Plaintiffs' amended this claim with respect to the Fike
25 Defendants, after its dismissal. Plaintiffs concede in their
26 supplemental opposition that they did not amend the claim as to
27 the Fike Defendants. (Doc. 125.) Accordingly, because there is
28 no claim to dismiss, the motion is **DENIED AS MOOT.**

1 **B. Supplemental Jurisdiction.**

2 Without a federal claim against the Fike Defendants, there
3 is reason to question whether it is appropriate to exercise
4 subject matter jurisdiction over any state law claims against the
5 Fike Defendants. At the June 26, 2006 hearing on the instant
6 motions, the parties were afforded one additional opportunity to
7 submit further briefing on the issue of supplemental jurisdiction
8 under 28 U.S.C. § 1367. The Fike Defendants filed a supplemental
9 memorandum on June 30, 2006 (Doc. 131); the Flores' filed their
10 own supplemental brief on July 5, 2006 (Doc. 132). Both the Fike
11 Defendants and the Flores argue for the exercise of supplemental
12 jurisdiction. Specifically, the Fike Defendants urge retention
13 of supplemental jurisdiction so that an order striking all the
14 state law claims may be entered. The Flores' request
15 supplemental jurisdiction be exercised so that the state claims
16 may proceed in this court.⁴

17 Where there is at least one federal question in a case, a
18 federal court may exercise supplemental jurisdiction over state
19 law claims that are related to the federal claim so long as they
20 form part of the "same case or controversy." 28 U.S.C.
21 § 1367(a). A district court may decline to exercise supplemental
22 jurisdiction if

- 23 (1) the claim raises a novel or complex issue of State
24 law,
25 (2) the claim substantially predominates over the

26 ⁴ The Flores' also appear to request further oral
27 argument on the Fike Defendants' motion to dismiss and/or strike
28 and their own motion to alter/amend. The motion has been
submitted for decision after supplemental briefing and no further
oral argument is needed or justified.

claim or claims over which the district court has original jurisdiction,

(3) the district court has dismissed all claims over which it has original jurisdiction, or

(4) in exceptional circumstances, there are other compelling reasons for declining jurisdiction.

28 U.S.C. § 1367(c).

6 Here, the remaining (active) federal claim against the Fike
7 Defendants for Civil RICO has been dismissed, triggering the
8 potential for dismissal under § 1337(c)(3). However, where
9 judicial economy, convenience, and fairness to the parties
10 strongly weigh in favor of retaining jurisdiction, it may be an
11 abuse of discretion to decline supplemental jurisdiction. See
12 e.g., *Trustees of Construction Indus. Labors Health and Welfare*
13 *Trust v. Desert Valley Landscape and Maintenance, Inc.*, 333 F.3d
14 923, 926 (9th Cir. 2003). Here, significant judicial and party
15 resources have been expended litigating the viability of the
16 state law claims brought against the Fike Defendants. It is
17 appropriate to exercise supplemental jurisdiction over the state
18 law claims under such circumstances.⁵

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5 In their supplemental filing, Plaintiffs note that the
bankruptcy trustees have expressed their intention to abandon any
interest the estate may have in the claims brought in this case.
Therefore, the Flores' suggest, there "now exist[] federal claims
in the trustee's abandoned portion of the instant action." (Doc.
125 at 2.) The claim to which Flores' apparently refer is a
Perishable Agricultural Commodities Act claim, 7 U.S.C. § 499b,
brought against the DDJ Defendants. That claim was stayed on May
26, 2005, which stay has not yet been lifted. Nevertheless, the
claim has not been dismissed, an additional fact which suggests
exercise of supplemental jurisdiction over the remaining state
law claims would be appropriate.

1 C. **Timeliness of Plaintiffs' Amendment.**

2 The Fike Defendants argue that the entire amended complaint
3 should be dismissed for failure to comply with the court's order
4 that it be filed within 15 days of service of the February 21,
5 2006 memorandum decision. The Fike Defendants maintain that
6 Plaintiffs' filing of the complaint on March 13, 2005 was
7 untimely. Defendants are mistaken. Although fifteen court days
8 from February 21, 2006 is March 8, 2006, Federal Rule of Civil
9 Procedure 6(e) provides for an additional three days "[w]henever
10 a party must or may act within a prescribed period after service
11 and service is made under Rule 5(b) (2) (B), (C), or (D)..."
12 Electronic service is one of the forms of service for which the
13 three additional days are added. See Rule 5(b) (2) (D) ("Delivering
14 a copy by any other means, including electronic means, consented
15 to in writing by the person served.")⁶ In this case, the
16 February 21, 2006 memorandum decision was served on Plaintiffs by
17 U.S. mail pursuant to Rule 5(b) (2) (B). The additional three
18 days provided under Rule 6(e) moved the deadline to Saturday,
19 March 11, 2006. Pursuant to Rule 6(a), the filing was not due
20 until the following business day, Monday, March 13, 2006, the day
21 on which it was timely filed.

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⁶ Although Rule 5(b) (2) (D) also provides that "[S]ervice
25 by electronic means is complete on transmission," the three day
26 extension provided by Rule 6(e) nevertheless applies. See *Wile*
27 *v. Paul Revere Life Ins. Co.*, 410 F. Supp. 2d 1313, 1318 n.2
28 (N.D. Ga. 2005); cf. Local Rule 78-230(m) (applying the three day
extension to both service by mail or electronic service in
prisoner cases).

1 D. **Motion to Strike.**

2 1. **Timeliness of Fike Defendants' Motion to Strike.**

3 Plaintiffs argue that the Fike Defendants' motion to strike
4 was untimely filed. The Flores' filed their first amended
5 complaint on March 13, 2006. Federal Rule of Civil Procedure
6 15(a) provides that a responsive pleading must be filed within
7 ten (10) days of service of the amended complaint. For the same
8 reason that Defendants' were mistaken as to the timeliness of
9 Plaintiffs' amended complaint, Plaintiffs' are mistaken as to the
10 timeliness of Defendants' response. Ten court days from March
11 13, 2006 is March 27, 2006. However, that deadline is also
12 extended three days pursuant to Federal Rule of Civil Procedure
13 6(e), shifting the deadline to March 30, 2006, the day on which
14 the Fike Defendants' motions to strike and dismiss were timely
15 filed.

16 2. **It Is Improper to Grant Leave to Amend Claims
17 Previously Stricken Pursuant to California's Anti-
SLAPP Statute.**

18 The Fike Defendants argue that it is not appropriate to
19 permit amendment of claims that have been stricken pursuant to
20 California's anti-SLAPP statute, the purpose of which is to
21 eliminate "sham of facially meritless" allegations at the
22 pleading stage.⁷ See *Simmons v. Allstate Ins.*, 92 Cal. App. 4th
23

24 7 Plaintiffs supplemental opposition mistakenly uses the
25 catchword "standing" in describing the issue, suggesting that the
26 Fike Defendants contend that Plaintiffs' "lack standing to amend
27 their complaint." (Doc. 125 at 4.) Standing is not the issue
28 here, as there is no dispute that Plaintiffs have standing as
allegedly injured parties to bring the claims presented here.
Rather, the critical question here is whether a court should have
permitted amendment of claims stricken under the Anti-SLAPP
statute.

1 1068, 1073 (2001). If this case were in state court, there is
2 little question that amendment would be **prohibited** after a
3 successful anti-SLAPP motion:

4 Allowing a SLAPP plaintiff leave to amend the complaint
5 once the court finds the prima facie showing has been
6 met would completely undermine the statute by providing
7 the pleader a ready escape from section 425.16's quick
8 dismissal remedy. Instead of having to show a
9 probability of success on the merits, the SLAPP
10 plaintiff would be able to go back to the drawing board
11 with a second opportunity to disguise the vexatious
12 nature of the suit through more artful pleading. This
13 would trigger a second round of pleadings, a fresh
14 motion to strike, and inevitably another request for
15 leave to amend.

16 By the time the moving party would be able to dig out
17 of this procedural quagmire, the SLAPP plaintiff will
18 have succeeded in his goal of delay and distraction and
19 running up the costs of his opponent. Such a plaintiff
20 would accomplish indirectly what could not be
21 accomplished directly, i.e., depleting the defendant's
22 energy and draining his or her resources. This would
23 totally frustrate the Legislature's objective of
24 providing a quick and inexpensive method of unmasking
25 and dismissing such suits....[G]ranting leave to amend
26 the complaint after the court finds the defendant had
27 established its prima facie case would be jamming a
28 procedural square peg into a statutory round hole.

17 *Id.* at 1073-74 (internal citations omitted) (emphasis added).

18 Whether this prohibition applies in the federal system, with
19 its liberal civil pleading requirements, is a more difficult
20 question. Pursuant to the *Erie* doctrine, state procedural laws
21 are not to be applied in federal court if they directly conflict
22 with a Federal Rule of Civil Procedure. *Walker v. Armco Steel*
23 *Corp.*, 446 U.S. 740, 749-50 (1980). In the absence of a direct
24 conflict, a court must "balance the state interest in its
25 procedural rule with the twin purposes of the *Erie* Doctrine --
26 discouragement of forum-shopping and avoidance of inequitable
27 administration of the laws. *Metabolife Int'l, Inc. v. Wornick*,

1 264 F.3d 832, 845-46 (9th Cir. 2001) (citing *Hanna v. Plumer*, 380
2 U.S. 460, 468 (1965)).

3 The Ninth Circuit has examined several subsections of the
4 anti-SLAPP statute in light of *Erie* and has reached different
5 conclusions as to the applicability of those provisions in
6 federal court. In *United States v. Lockheed Missiles & Space*
7 *Co., Inc.*, 190 F.3d 963 (9th Cir. 1999), the Ninth Circuit
8 considered § 425.16(b) (permitting a special motion to strike) and
9 § 425.16(c) (permitting recovery of fees and costs). The *Lockheed*
10 court held that neither conflicted with the Federal Rules and
11 that applying these provisions in federal courts advanced the
12 purposes of the *Erie* doctrine. In that case, the Ninth Circuit
13 reasoned that § 425.16(b), permitting the filing of a special
14 motion to strike, can exist "side by side" with Federal Rules of
15 Civil Procedure 8, 12, and 56 "each controlling its own intended
16 sphere of coverage without conflict." 171 F.3d at 1217 (citing
17 *Walker v. Armco Steel*, 446 U.S. at 752). The Ninth Circuit
18 further reasoned that

19 [A party] in federal court [] may bring a special
20 motion to strike pursuant to § 425.16(b) ... If
21 unsuccessful, the litigant remains free to bring a Rule
22 12 motion to dismiss, or a Rule 56 motion for summary
judgment. We fail to see how the prior application of
the anti-SLAPP provisions will directly interfere with
the operation of Rule 8, 12, or 56.

23 [The party opposing the motion to strike] has not
24 identified any federal interests that would be
undermined by application of the anti-SLAPP
25 provisions.... On the other hand, as noted earlier,
California has articulated the important, substantive
state interests furthered by the Anti-SLAPP statute.

26 We also conclude that the twin purposes of the *Erie*
rule—"discouragement of forum-shopping and avoidance of
27 inequitable administration of the law"—favor
28 application of California's Anti-SLAPP statute in

1 federal cases. Although Rules 12 and 56 allow a
2 litigant to test the opponent's claims before trial,
3 California's "special motion to strike" adds an
4 additional, unique weapon to the pretrial arsenal, a
5 weapon whose sting is enhanced by a[n] entitlement to
6 fees and costs. Plainly, if the anti-SLAPP provisions
7 are held not to apply in federal court, a litigant
8 interested in bringing meritless SLAPP claims would
9 have a significant incentive to shop for a federal
10 forum. Conversely, a litigant otherwise entitled to the
11 protections of the Anti-SLAPP statute would find
12 considerable disadvantage in a federal proceeding. This
13 outcome appears to run squarely against the "twin aims"
14 of the Erie doctrine.

15 *Id.* at 1217-18 (internal citations and quotations omitted).

16 However, in *Metabolife*, the Ninth Circuit held that
17 § 425.16(f) (providing that an anti-SLAPP motion may be filed
18 within sixty days of the filing of the complaint or, at the
19 discretion of the court, at any later date) and § 425.16(g)
20 (providing that the filing of an anti-SLAPP motion automatically
21 stays further discovery absent a court order on a showing of good
22 cause) conflicted with Federal Rule of Civil Procedure 56 because
23 it "limits discovery and makes further discovery an exception
24 rather than the rule." *Metabolife*, 264 F.3d at 646. The Ninth
25 Circuit reasoned that Rule 56 "[o]n the contrary, [] ensures that
26 adequate discovery will occur before summary judgment is
27 considered." *Id.* *Metabolife*, in contrast to *Lockheed*, draws
28 almost no distinction between an anti-SLAPP motion and a motion
for summary judgment. In so holding, *Metabolife* arguably
conflicts with *Lockheed's* holding that an anti-SLAPP motion is a
procedural tool that can be distinguished from a motion for
summary judgment. Yet, *Metabolife* cited with approval to and did
not overrule *Lockheed's* holding as to § 425.16(b) and (c). See
264 F.3d at 845-46. The only way to interpret *Metabolife* without

1 eviscerating *Lockheed* is to apply it narrowly only to situations
2 where a plaintiff asserts **prior to decision on an anti-SLAPP**
3 **motion** that discovery might influence the outcome of the motion
4 to strike.

5 The Ninth Circuit again took up the potential for conflict
6 between the anti-SLAPP statute and the Federal Rules in *Verizon*
7 *Delaware, Inc. v. Covad Communications Co.*, 377 F.3d 1081 (9th
8 Cir. 2004). In that case, the district court deferred
9 consideration of the defendant's anti-SLAPP motion to strike
10 until after the filing of an amended complaint by plaintiff. The
11 anti-SLAPP motion was subsequently denied. See *Id.* at 1090-91.
12 The Ninth Circuit reasoned in *Verizon* that "granting a
13 defendant's anti-SLAPP motion to strike a plaintiff's initial
14 complaint without granting the plaintiff leave to amend would
15 directly collide with Fed. R. Civ. P. 15(a)'s policy favoring
16 liberal amendment." *Id.* at 1091.

17 Moreover, the purpose of the anti-SLAPP statute, the
18 early dismissal of meritless claims, would still be
19 served if plaintiffs eliminated the offending claims
20 from their original complaint. If the offending claims
remain in the first amended complaint, the anti-SLAPP
remedies remain available to defendants.

21 *Id.* (citing *Vess v. Ciba-Geigy Corp. USA*, 317 F.3d 1097, 1109
22 (9th Cir.2003)).⁸

23 ⁸ The Fike Defendants point to one district court case
24 from the Central District of California that is squarely on
25 point. In *Thomas v. Los Angeles Times Communications, LLC*, 189
26 F. Supp. 2d 1005 (C. D. Cal. 2002), the district court granted
27 the defendant's anti-SLAPP motion to strike, which had been filed
28 less than sixty days after plaintiff filed his initial complaint.
See *Id.* at 1009, 1017. A footnote in the concluding paragraph of
Thomas states:

1 Both *Metabolife* and *Verizon* suggest that a federal court
2 should hesitate to hear and decide an anti-SLAPP motion to strike
3 prior to affording a plaintiff an opportunity to amend or pursue
4 discovery. Neither case discusses whether plaintiff should be
5 afforded such opportunities after the motion to strike has been
6 **granted**. The reasoning in *Lockheed* is instructive.

7 [A party] in federal court [] may bring a special
8 motion to strike pursuant to § 425.16(b)...If
9 unsuccessful, the litigant remains free to bring a Rule
10 12 motion to dismiss, or a Rule 56 motion for summary
judgment. We fail to see how the prior application of
the anti-SLAPP provisions will directly interfere with
the operation of Rule 8, 12, or 56.

11 171 F.3d at 1217 (citing *Walker v. Armco Steel*, 446 U.S. at 752).
12 *Lockheed* is still good law. To allow amendment after an anti-
13 SLAPP motion to strike has been granted eviscerates the purpose
14 of the anti-SLAPP statute. Such an outcome would be inconsistent
15 with *Lockheed* and the strong policy underlying the anti-SLAPP
16 law. The federal rules liberally permitting amendment are rules
17 of general, not specific, application. The anti-SLAPP law
18 applies to state law claims which are governed by the substantive
19 law of California.

20 It was not appropriate to grant Plaintiff leave to amend any
21 of the state law claims. Accordingly, the Fike Defendant's
22 motion to strike all of the state law claims from the amended
23 complaint is **GRANTED WITHOUT LEAVE TO AMEND**.

24
25 The Court agrees with Defendants that Plaintiff may not
26 amend his Complaint after it is stricken pursuant to
27 California Code of Civil Procedure § 425.16. See
Simmons v. Allstate Ins. Co., 92 Cal. App. 4th 1068,
1073-74 (2001).

28 Critically, *Thomas* did not consider any of the potentially
conflicting Ninth Circuit authority evaluating state-federal law
conflicts. As a result, *Thomas* is not particularly persuasive
authority.

1 **3. Defendants' Alternative Argument that Plaintiffs' 2 Malicious Prosecution Claim Still Fails to Meet 3 the Evidentiary Burden Under the Anti-SLAPP 4 Statute.**

5 As an alternative argument, the Fike Defendants renew their 6 request for a ruling striking the malicious prosecution claim 7 pursuant to the anti-SLAPP statute. (See Doc. 118-1.)

8 As set forth in the previous memorandum decision, the Anti- 9 SLAPP statute does apply to malicious prosecution claims. (See 10 Doc. 108 at 18-20.) Accordingly, Plaintiffs bear the burden to 11 establish "a sufficient *prima facie* showing of facts to sustain a 12 favorable judgment if the evidence submitted by the plaintiff[s] 13 is credited." *Jarrow*, 31 Cal. 4th at 738.⁹

14 Defendants correctly point out that this is an evidentiary 15 burden, not a pleading requirement. The court must "consider the 16 pleadings and the evidence submitted by the parties; it cannot 17 weigh the evidence but instead must simply determine whether the 18 plaintiff's evidence would, if credited, be sufficient to meet 19 its burden of proof." *Ramona Unified Sch. Dist. v. Tsiknas*, 135 20 Cal. App. 4th 510, 591 (2005).

21 Plaintiffs' amended complaint somewhat expands their 22 malicious prosecution allegation, but appears to advance many of

23

⁹ The elements of a *prima facie* case of malicious prosecution 24 are (1) a judicial proceeding favorably terminated; (2) lack of 25 probable cause; and (3) malice. *Villa v. Cole*, 4 Cal. App. 4th 1327, 1335 (1992). Malicious prosecution actions are disfavored under 26 California law. *Sheldon Appel. Co. v. Albert & Oliker*, 47 Cal. 3d 863, 872 (1989) (tort of malicious prosecution "has historically been 27 carefully circumscribed so that litigants with potentially valid 28 claims will not be deterred from bringing their claims to court by the prospect of a subsequent malicious prosecution" action).

1 the same bases for the allegations.¹⁰ First, Plaintiffs assert
2 that the Fike Defendants knew or should have known of evidence
3 that contradicted the counterclaims filed against Plaintiffs.
4 The contradictory evidence cited by Plaintiffs includes: (1)
5 evidence that DDJ Inc maintained more than one set of accounting
6 records (FAC at ¶ 173), and (2) evidence that DDJ officers
7 shredded DDJ documents before the underlying complaint was filed
8 (FAC at ¶174). Plaintiffs suggest that the existence of such
9 evidence demands denial of the motion to strike. Specifically,
10 Plaintiffs argue that where there is dispute as to the
11 Defendants' knowledge of facts on which the counterclaims are
12 based, such a dispute must be resolved by a jury. (Doc. 121 at
13 6.) But, the mere existence of evidence tending to indicate that
14 DDJ's accounting and record-keeping was fraudulent does not
15 create a dispute as to whether DDJ's lawyers lacked sufficient
16 probable cause to file the counterclaim. Such a rule would
17 automatically render a claim malicious if any contradictory
18 evidence exists.

19 Second, Plaintiffs re-assert an argument that was rejected
20 by the prior memorandum opinion -- that the Fike Defendants knew
21 or should have known that the counterclaim was false because DDJ
22 had assigned the alleged claim to a third party. The prior
23 memorandum opinion reasoned that:

24

25

26 ¹⁰ Again, the excessive length and unnecessary verbiage of
27 the original and amended complaints makes it exceedingly
28 difficult for the court to discern how, if at all, the two
documents differ from one another.

1 The Fike Defendants acknowledge that this transfer
2 occurred, but maintain that DDJ Inc. had an agreement
3 with Taft & Trainer that DDJ would defend the *Flores I*
4 lawsuit and pursue any counterclaim for the Flores'
5 outstanding debt under the note. (Fike Decl. ¶16) The
6 existence of such an agreement was supported by written
7 agreements. (*Id.* at Exhibit 2.) Although the jury in
8 *Flores I* ultimately found that the Flores' did not owe
9 money to either DDJ or Taft & Turner, there is
10 absolutely no indication that the indemnity,
11 assignment, and litigation enforcement agreement was
12 invalid, and, even if invalid, that the Fike Defendants
13 knew of any invalidity or that no reasonable attorney
14 would have believed the agreement to be valid.

15 (Doc. 108 at 23.) Plaintiffs now assert that the agreement with
16 Taft & Trainer "does not acknowledge the cross-complaint, or that
17 Traner & Taft assigned or otherwise agreed to permit assignment
18 of said liability for Fike Defendants to pursue [the cross-
19 complaint] on behalf of DDJ, Inc." (FAC at ¶ 182.) Plaintiffs,
20 however, do not explain the legal significance of this failure.
21 Plaintiffs cite, without clearly explaining, several other pieces
22 of evidence in support of their contention that the Fike
23 Defendants lacked probable cause to believe that DDJ retained the
24 right to assert claims against the Flores. For example,
25 Plaintiffs argue that:

26 Although Fike Defendants...do mention that "David A.
27 Fike's clients provided him with both testimonial and
28 documentary evidence that DDJ, Inc., has an agreement
with Trainer & Taft, Inc., that DDJ Inc., would take
responsibility for defending the underlying lawsuit and
for pursuing the counterclaim for Flores' outstanding
debt. (Fike Decl., ¶ 16). (See Memorandum of Points
and Authorities in Support of Motion to Strike Certain
Cuases of Action from Complaint at 11:22-25). In
addition, David A. Fike, in his Declaration clearly
indicates that "DDJ Inc., had an agreement with Traner
& Taft, Inc., that DDJ Inc., would take responsibility
for defending the underlying lawsuit and for pursuing
the counterclaim for Flores' outstanding debt. (See
Declaration of David A. Fike, at ¶ 16).

1 The sworn testimony of David A. Fike which references
2 Dennis Vartan and Dennis Hagopian, is quite the
3 opposite of what David A. Fike contends in his
4 Declaration. (See Declaration of Attorney, Marshall C.
5 Whitney, in support of Motion to Strike at Exhibit 'A'
6 at pg. 949-962 [testimony of Dennis Vartan at trial on
7 underlying action] also see id at Exhibit 'B' at pgs.
8 1306-1428:2 [testimony of Dennis Hagopian]). More
9 specifically, Dennis Hagopian testified that Traner &
10 Taft assigned [to] DDJ, Inc., the Flores' liability
11 note back to DDJ, Inc. [sic] Should testimonies of
12 both, Dennis Vartan and Dennis Hagopian be credible,
13 then surely DDJ Inc., and Fike Defendants were not
14 prosecuting the counterclaim for breach of contract on
15 behalf of Traner & Taft as the Court contends.

16 (Doc. 110 at 3.) But, the testimony cited by the Flores is from
17 the jury trial before Judge Ishii and has little or no bearing on
18 whether the Fike Defendants had probable cause to file the
19 counterclaims in the first place. Moreover, a review of the
20 testimony cited by the Flores' reveals that Dennis Hagopian
21 consistently testified that DDJ retained the right to pursue a
22 counterclaim against the Flores' to collect outstanding debt.
23 (See Doc. 34, Whitney Decl., Ex. B at 1427.) Again, the
24 existence of somewhat contradictory testimony elsewhere in the
25 trial record does not establish the absence of probable cause.
26 It supports the inference that evidence exists to support both
27 positions.

28 Plaintiffs now also allege that the Fike Defendants' refusal
29 to put money in a trust fund supports a finding that probable
30 cause was absent. Again, however, Plaintiffs fail to explain the
31 legal significance of this refusal, nor do they point to any
32 caselaw suggesting that such a refusal demonstrates the absence
33 of probable cause.

34 Finally, Plaintiffs re-assert the previously rejected
35 argument that the Fike Defendants "knew or should have known that

1 Connie Flores was not participating in the marketing agreement or
2 any kind of financial agreement with DDJ, Inc., for the crop year
3 of 1997." As evidence in support of this assertion, Plaintiffs
4 rely exclusively on Judge Ishii's memorandum decision in *Flores I*
5 concerning Connie Flores' petition in for attorney's fees under
6 California Civil Code § 1717.

7 Section 1717 provides for the recovery of attorneys fees by
8 prevailing parties "in any action on a contract." (See 1:99-cv-
9 5878, Doc. 342.) In opposition to Ms. Flores' fee petition, DDJ
10 Inc. argued that Ms. Flores was not entitled to fees because she
11 did not sign any of the relevant financial agreements. (In other
12 words, DDJ argued that Ms. Flores was not entitled to fees for
13 prevailing on a contract action because she was not a party to
14 the contract.) Plaintiffs suggest that DDJ's assertion of this
15 defense (and Judge Ishii's discussion of the defense in the
16 memorandum decision) supports a finding that the Fike Defendants,
17 who represented DDJ in *Flores I*, knew at the time the
18 counterclaim was filed that Ms. Flores had not signed the
19 relevant documents and therefore lacked probable cause to file
20 the counterclaim against her.

21 Plaintiffs read too much into Judge Ishii's decision, which
22 examined the jurisprudence pertaining to attorney's fees awards
23 under section 1717 in some detail. The decision reasoned that
24 Ms. Flores would only be entitled to an award under section 1717
25 if she would have been liable on the contract claim had the jury
26 returned a verdict in favor of Defendants. But, contrary to
27 Plaintiffs' suggestion, Judge Ishii specifically noted in his
28 analysis that DDJ "clearly believed if [it] prevailed, [] Connie

1 Flores would have been liable for the advanced funds along with
2 [] Joe Flores." (Doc. 342 at 6.) In part as a result of this
3 finding, Judge Ishii concluded that Connie Flores was entitled to
4 attorney's fees under section 1717. Judge Ishii's opinion does
5 not on its own support a finding that the Fike Defendants lacked
6 probable cause to name Connie Flores in the counterclaim. In
7 fact, it supports the opposite conclusion by finding that DDJ
8 "clearly believed" in the merit of its original counterclaim
9 against Ms. Flores. The Flores' advance no additional evidence
10 or arguments in support of such a finding.

11

12 **E. Plaintiffs' Motion to Amend or Alter the February 21,**
2006 Memorandum Decision.

13 Plaintiffs also move to amend/alter a portion of the
14 February 21, 2006 memorandum decision in three respects.

15 First, Plaintiffs assert that the decision to dismiss the
16 malicious prosecution claim was based upon erroneous facts
17 concerning the assignment agreement between DDJ and Trainer &
18 Taft. This argument has been considered and rejected.

19 Second, Plaintiffs maintain that the court erred in finding
20 that the litigation privilege applies to the abuse of process
21 cause of action. Rather, Plaintiff suggests that the abuse of
22 process claim is "married to [the] malicious prosecution
23 allegation, and in such premises the complaint for abuse of
24 process at the least should be granted leave to amend...." (Doc.
25 110 at 6.) This motion must be construed as a motion for
26 reconsideration, which is governed by Federal Rule of Civil
27 Procedure 60(b). Local Rule 78-230(k) specifies the showing a
28

1 party must make in a motion for reconsideration. Critically,
2 parties are required to indicate "what new or different facts or
3 circumstances are claimed to exist which did not exist or were
4 not shown upon such prior motion, or what other grounds exist for
5 the motion..." Local R. 78-230(k).

6 As discussed above, leave to amend was not properly granted
7 with respect to the malicious prosecution claim and Defendants'
8 motion to strike that claim has been granted. But, even if
9 granting leave to amend were proper under the circumstances,
10 Plaintiff's attempt to associate his abuse of process claim with
11 his malicious prosecution claim is misplaced as a matter of law.
12 The February 21, 2006 memorandum decision ruled that the
13 litigation privilege barred all of Plaintiff's state law claims
14 except for the malicious prosecution cause of action because
15 California law carves out a specific, but narrow exception for
16 malicious prosecution actions to proceed despite the litigation
17 privilege.

18 The litigation privilege does not apply to claims of
19 malicious prosecution. Malicious prosecution actions
20 are permitted because "the policy of encouraging free
access to the courts is outweighed by the policy of
affording redress for individual wrongs when the
requirements of favorable termination, lack of probable
cause, and malice are satisfied. *Silberg*, 50 Cal.3d at
21 216. This is perhaps the **only** exception to the
22 absolute nature of the litigation privilege. *Id.*; see
23 also *Rubin*, 4 Cal. 4th 1193-94.

24 (Doc. 108 at 20 (emphasis added).) There is no such blanket
25 exception for abuse of process claims. Rather, the February 21,
26 2006 memorandum decision examined the acts that formed the basis
27 of the abuse of process claim and reasoned that they were
28 protected by the litigation privilege:

1 Defendants assert generally that all of the acts which
2 underlie the abuse of process claim are subject to the
3 litigation privilege. As discussed above, the letter
4 to H&M is a communication sent in anticipation of
5 litigation to protect a claimed security interest,
6 which naturally falls within the coverage of the
7 litigation privilege. The applicability of the
8 privilege to the other alleged acts is not so clear-
9 cut. On the one hand, the attempt to charge the
10 Flores' \$0.53 per page for copies is communicative, and
arguably conduct: the act of demanding payment for
copies. Similarly, the Fike Defendants alleged attempt
to use documents at trial that were not produced at
discovery and the Fike Defendants alleged involvement
in the destruction of evidence is arguably conduct, not
communication. However, such matters are inherently
part of the discovery process and were redressible
under discovery rules and should have been addressed
during the underlying litigation.

11 (Id.) Plaintiffs offers no legal authority to support their
12 contention that this reasoning is incorrect.

13 Finally, Plaintiffs challenge the prior memorandum
14 decision's conclusion that California Civil Code § 1714.10, which
15 requires pre-approval from a court prior to the filing of a
16 conspiracy complaint against an officer of the court, bars all of
17 Plaintiffs conspiracy claims against the Fike Defendants.
18 Although Plaintiffs concede that this conclusion is correct with
19 respect to the individual attorneys, Plaintiffs suggest that
20 section 1714.10 might not apply to the law firm of Emerich &
21 Fike. Plaintiff, however, cites no authority to support this
22 distinction and none could be located. Alternatively, Plaintiffs
23 request leave to "file the necessary pleadings with this Court to
24 suffice Civil Code § 1714.10, and obtain permission from this
25 honorable Court to file a complaint for conspiracy" against the
26 Fike Defendants. (See Doc. 110 at 8-9.) Again, as discussed, it
27 is not appropriate to grant leave to amend claims that have been
28 stricken pursuant to the Anti-SLAPP statute. Moreover, the
evidentiary burden Plaintiffs faced in the Anti-SLAPP motion is

1 essentially identical to that which they would have been required
2 to overcome to obtain permission to file a conspiracy claim
3 against the Fike Defendants had they sought such permission.

4 Section 1714(a) provides:

5 No cause of action against an attorney for a civil
6 conspiracy with his or her client arising from any
7 attempt to contest or compromise a claim or dispute,
8 and which is based upon the attorney's representation
9 of the client, shall be included in a complaint or
10 other pleading unless the court enters an order
allowing the pleading that includes the claim for civil
conspiracy to be filed after the court determines that
the party seeking to file the pleading has established
that there is a reasonable probability that the party
will prevail in the action.

11 (emphasis added.) Plaintiff failed to satisfy that evidentiary
12 burden in opposition to the Anti-SLAPP motion and provides no
13 indication as to why the outcome would be any different upon
14 further briefing.

15 The motion for reconsideration is **DENIED**.

17 **VII. CONCLUSION**

18 For the reasons set forth above:

- 19 (1) The Fike Defendants' motion to dismiss the Civil RICO claim
20 is **DENIED AS MOOT** because the claim has not been amended.
- 21 (2) The Fike Defendants' motion to strike all of the state law
22 claims is **GRANTED** under the Anti-SLAPP law.
- 23 (3) Plaintiffs' motion to amend or alter (construed as a motion
24 for reconsideration) is **DENIED**.
- 25 (4) The Fike Defendants are **DISMISSED AS DEFENDANTS**.

27 **SO ORDERED 8/30/06**

28
/s/Oliver W. Wanger
Oliver W. Wanger
UNITED STATES DISTRICT JUDGE